BUSINESS OPPORTUNITY

LODGING, FOOD & BEVERAGE, RETAIL, TRANSPORTATION, AND OTHER SERVICES

GRAND CANYON NATIONAL PARK

Department of the Interior

National Park Service
Intermountain Region

Contract No. CC-GRCA001-16

SUMMARY OF CHANGES FROM GRCA001-15B PROSPECTUS

The National Park Service has issued three prior prospectuses for the business opportunity described in this Prospectus. Most recently, on August 8, 2014, the Service issued prospectus GRCA001-15B. The following information highlights the similarities between and changes from that prior prospectus with this Prospectus.

Topic	GRCA001-15B	This Prospectus
Term of contract	15 years	Same
Minimum Franchise Fee	10% years 1-5 standard LSI formula and 12.5% years 6-15 standard LSI formula	8% standard LSI formula, or 6.4% depreciating LSI formula
Repair and Maintenance Reserve	1.3%	1.5%
Deferred Maintenance	$1.5 million in year 1 and 2	Same
Beginning Leasehold Surrender Interest	$56,950,924	$59, 397,765
CFIP Projects	Maswik South reconstruction must start in year 2	Maswik South reconstruction may start in year 2, 3, 4, or 5
Assumed expense for employee housing/transportation	$500,000	Same
Employee housing	990 capacity within park	1,010 capacity within park
Rate Increases	5% per year in years 1, 2, and 3	5% per year for lodging in years 1 and 2*

*The Existing Contract includes a 5% lodging rate increase for 2015

Explanation of Changes

Many of the changes set out above recognize that the Service must offer a very attractive opportunity after issuing three prior prospectuses that received no responsive proposals.

Franchise Fee The Service has reduced the minimum franchise fee to increase an Offeror's expected return on investment. Typically, the Service takes a more aggressive stance on an expected return on investment by a concessioner recognizing that operations in national parks, especially iconic parks such as the Grand Canyon National Park, present fewer operating risks than companies face in the private sector. Visitation at such parks allows concessioners to operate at or near capacity for several months each year. Lodging occupancy during the high visitation season frequently nears 100%. Food outlets operate at maximum demand for several hours a day. Retail operations have high sales per square foot reflecting visitors' desires for mementos of what may be once in a lifetime adventures. Parks draw the visitors allowing concessioners to spend far less on advertising and marketing than private sector operators.

For concession contracts such as the Draft Contract, the United States guarantees concessioners a return at the end of the contract for the amount invested in initial Leasehold Surrender Interest. This Prospectus provides interested parties a rate of return calculated nearer those expected in the private sector notwithstanding the advantages to operating in a national park set out above. The minimum franchise fee reflects this higher internal rate of return.

The lower minimum franchise fee accounts for several expenses associated with the Draft Contract. For example, the lower franchise fee accounts for the increased expenses associated with Executive Order 13658, which requires concessioners to pay employees a higher minimum wage then that required by the State of Arizona. Additionally, the reduced franchise fee accounts for increased fuel costs because the Concessioner is required to fuel vehicles outside of the Park. The franchise fee also considers the required acquisition of certain personal property by the Concessioner. Specifically, under the Existing Contract, the Existing Concessioner must sell to the Concessioner the modular dorm units the Existing Concessioner bought and installed on certain assigned sites within the Pinyon Park trailer area at a cost as defined in the Existing Contract.

Timing of Maswik South Project The prior prospectuses required the Concessioner to commence the project to replace the lodging facilities at Maswik South in year two of the contract. Under the Draft

Contract in this Prospectus, the Concessioner will have the option of commencing the project in year 2, 3, 4, or 5. The Service anticipates the Concessioner will move quickly to replace the existing outdated and dilapidated facilities in order to capture the higher revenue the new facilities will generate. Recognizing the complexities of such project, however, the Service has provided flexibility to the Concessioner.

Employee Housing Capacity In the prior prospectuses and in reliance upon the expert advice of the Service's contracted hospitality consultant, the Service assigned in-park housing for 990 employees and allocated $500,000 per year in expenses to accommodate any need for employees beyond that capacity. The concessioner, under CC-GRCA001-02, Xanterra South Rim, L.L.C. (Xanterra), sued the Department of the Interior and the National Park Service in October, 2014 challenging, among other things, what it described as inadequate employee housing capacity. Although the Service disagreed with the perspective asserted by Xanterra, it assigned additional trailer spaces in the Pinyon Park mobile home area under the temporary contract, TC-GRCA001-15 and continued that assignment for the Draft Contract. The concessioner under another contract at Grand Canyon National Park (GRCA003-15) also agreed with the Service that five single family houses could be withdrawn from that contract. The Service then assigned those houses to Xanterra under the current temporary contract and continued that assignment for the Draft Contract. In public filings in the litigation, a principal with Xanterra asserted that company would need capacity for 1,015 employees to continue its operations. The Service calculates the capacity assigned under the Draft Contract will accommodate 1,010 employees without needing to room more than two employees in any one unit. In the litigation, Xanterra also claimed year-round housing was insufficient and some housing assigned for employees would require an investment for winter occupancy. The Service continued to include $500,000 annually in its franchise fee analysis, which should accommodate such investment, allow for higher salaries for employees who may need to live outside the park or, alternatively, provide transportation for such employees. The Service does not guarantee concessioners that the Service will provide facilities to house all employees in parks. The Service is confident, however, with the capacity assigned under the Draft Contract and the estimated $500,000 per year expense as outlined above, that the Concessioner housing needs under the Draft Contract are addressed.

Leasehold Surrender Interest Reduction and Loan Repayment In that same litigation, Xanterra claimed the Draft Concession Contract in the prior prospectus, GRCA001-15B, was not financially viable even though the United States was planning to reduce the initial investment of Leasehold Surrender Interest by nearly $100 million. Xanterra went on to claim the minimum franchise fee in that prospectus was set to enable Grand Canyon National Park to repay the nearly $50 million borrowed from other parks as part of the payment to reduce the Leasehold Surrender Interest under CC-GRCA001-02 and did not provide a reasonable opportunity for a net profit. The Service believes the Draft Contract associated with the prospectus for GRCA001-15B was viable and presented a good opportunity for a concessioner to obtain a fair return on its investment. As explained above, the reduced franchise fee under this Prospectus relates to factors, such as the higher required minimum wage required by Executive Order 13658 and the lack of responsive proposals to the three prior prospectuses.

Trademark Claims In October, 2014, Xanterra also filed applications for trademarks for the names of several properties it operated pursuant to the terms of the now expired CC-GRCA001-02 contract. By letter dated January 12, 2015, the Service advised Xanterra that it considers the marks in use by Xanterra as property of the Service protected pursuant to common law trademark rights. The Service asserted it has exclusively and continuously controlled the marks, and in particular retains control of the nature and quality of provided goods and services through operation of concession contracts with providers of goods and services such as Xanterra. The Service further claimed Xanterra's use of the claimed marks is solely by virtue of concession contracts through which the Service ultimately controls the nature and quality of the provided goods and services. The Service then requested Xanterra to file for formal abandonment of all trademark applications relating to the National Park Service concession operations including: Bright Angel Lodge, El Tovar, Canyon Café at Yavapai Lodge, Desert View Watchtower, Kachina Lodge, Hermits Rest, Lookout Studio, Phantom Ranch, Yavapai Lodge, Maswik Lodge, Red Horse Cabin, Arizona Room, Trailer Village, Buckey O'Neill Cabin, Thunderbird Lodge, and Hopi House.

Utility Rates and Costs Service policy allows a concessioner to add a fee to charges for visitor services to account for higher utility costs faced by concessioners in some national parks ("utility add-on"). At Grand Canyon National Park, the Service provides water and wastewater services. The Service pumps water for all water users on the South Rim from a water source on the north side of the Canyon. The resulting cost of this water is much higher than what is typical in the industry. The Draft Contract allows for a utility add-on for the water costs, and the Service's financial analysis considered not only the higher expense but also the add-on to recoup costs above industry standard.

The waterline transporting this water needs replacement. The cost of replacing the waterline is approximately $76 million. After the Service installs the new waterline, the Service will allocate the cost to users over its expected life. That cost, like the cost for the water itself, could entitle the Concessioner to an additional utility add-on to help recoup the allocated cost of the replaced waterline. The Service also considered this additional expense and utility add-on in its financial analysis for the Draft Contract.

Straight-line Depreciation Option Under 54 U.S.C. § 101915(6)(A)(i), the Service may provide that the value of a concessioner's Leasehold Surrender Interest will depreciate according to straight-line depreciation as provided by the Federal income tax laws and regulations in effect as of November 12, 1998. The Service has used this method in several prospectuses and required it in the first prospectus issued for this business opportunity. In the second prospectus, and in this one, the Service allows the Offerors to select either the standard formula for Leasehold Surrender Interest value (generally increasing by CPI and decreasing by observable depreciation) or the straight-line depreciation method based on a 40-year depreciation schedule. The straight-line depreciation method includes a lower minimum franchise fee (6.4%). The Service estimates gross receipts under the Draft Contract could exceed $1.4 billion over the 15 year term. Selecting the straight-line depreciation method would provide the Concessioner additional operating cash flow of 1.6% or an estimated $22.4 million over the term of the Draft Contract. The straight-line depreciation method also provides a level of assurance in the Concessioner's investment because it avoids reliance on varying CPI and the unknown future condition of the assets encumbered by the Leasehold Surrender Interest.

Over four million people visit Grand Canyon National Park every year, many of them only to the South Rim area. The opportunity provided by the Draft Contract will provide lodging, food, tours, and souvenirs to many of these visitors. A skilled operator will leverage this visitation into a lucrative opportunity to provide predictable revenue over the 15-year term of the Draft Contract while helping the Service provide a truly memorable experience. The Concessioner will help Grand Canyon National Park celebrate the upcoming centennial of the National Park Service, a truly noteworthy event in the history of the Park and the Service.

SUMMARY OF BUSINESS OPPORTUNITY

The following summarizes the key elements of the business opportunity for the GRCA001-16 Draft Contract. Should the facts and figures presented in the Summary differ from or contradict with the Draft Contract in any way, the Draft Contract will prevail.

Currently, visitor services are provided at these locations by Xanterra South Rim, L.L.C. ("Existing Concessioner"), under TC-GRCA001-15 ("Existing Contract"), a copy of which is included in the appendices to this Prospectus.

Nature of Business and Services Provided

The Draft Contract describes the following visitor services.

Required Visitor Services for the Draft Contract

Service	Location
Lodging	El Tovar Hotel Bright Angel Lodge and Cabins Maswik Lodge Phantom Ranch Guest Quarters Kachina Lodge Thunderbird Lodge
Food and Beverage	El Tovar Arizona Room Bright Angel Hermits Rest Snack Bar Maswik Phantom Ranch Canteen Mobile Food Operations
Retail	El Tovar Bright Angel Maswik Hermits Rest Hopi House Lookout Studio Phantom Ranch
Transportation	Interpretive Bus Tours Inner Canyon and Rim Mule Rides Taxi Service
Kennel Operation	South Rim
Vending	Throughout Concession Facilities
Roadside Assistance Service	South Rim

Authorized Visitor Services for the Draft Contract

Service	Location
Limited Automobile Garage Services	South Rim Concessioner Support Facility
Valet Parking	El Tovar

Historical Annual Gross Revenue[1], 2011-2013

	2011	2012	2013
Total Gross Revenue	67,147,000	$69,334,930	$66,439,322

[1] The Service estimated 2009 and 2010 gross revenue (not shown in the table) using the actual historical gross revenues associated with the services required under the Draft Contract, as reported by the Existing Concessioner. The Service estimated 2011-2013 revenue by using the same percentages used for the historical actuals in 2009 and 2010.

Note: The Prospectus does not include 2014 financial data because the Annual Financial Reports (AFRs) were unavailable during the analyses.

Source: NPS

Historical Franchise Fees Paid[1,2], 2011 – 2013

	2011	2020	2013
Estimated Adjusted Franchise Fees Paid	$2,279,000	$2,532,467	$2,432,859

[1]The Service estimated the 2011-2013 Franchise Fees Paid, as shown here, based upon a percentage of gross revenues estimated to be associated with services required by the Draft Contract.

[2] A concessioner must pay fees on "gross receipts," as defined in Sec. 2 of the Draft Contract.

Source: NPS

Utility Add-on

The Service has determined pursuant to NPS Director's Order 35B (DO 35B) that the Concessioner's rates for certain visitor services, for the first year of the Draft Contract as approved by the Service, may include a 4.3% of Gross Receipts "Utility Add-on." This Utility Add-on percentage represents the estimated difference between the cost the Concessioner pays for Service-provided utilities in the Area and utility costs typical in the industry as determined by the Service. The Service expects to continue to authorize a Utility Add-on for subsequent years of the Draft Contract in accordance with DO 35B (as it may be amended or superseded from time to time). A website link to DO 35B appears in the Appendices.

The Service intends to install a new waterline. After the line is installed the Service will assess the cost of that replacement against all users relying on a formula that will recover the cost of the replacement over the expected life of the waterline in accordance with DO 35B. For example, if the replacement waterline has an expected life of 50 years, users would start paying their share of the cost allocated over the 50-year life of the waterline. That cost, like the cost for the water itself, could entitle the Concessioner to an additional utility add-on to help recoup the allocated cost of the replaced waterline.

Required Repair and Maintenance Reserve

One and five-tenths percent (1.5%) of annual gross receipts

Term of Contract

Fifteen (15) years starting on or about January 1, 2016. The Service may change the effective date of the Draft Contract prior to the award of the Draft Contract if the Service determines it is necessary.

Estimated Initial Investments[1]

Item	Amount
Leasehold Surrender Interest	$59,397,765[2]
Concession Facilities Improvement Program (Year One)[3]	$468,000
Deferred Maintenance (Year One)	$1,350,000
Personal Property Initial Investment[4]	$15,762,000
Personal Property Associated with Concession Facility Improvement Programs (Year One)	$833,000
Working Capital	$1,170,000
Other Pre-Opening Expenses	$2,922,000
Total	**$$81,902,765**

[1]All dollar amounts represented in 2016$
[2]Dollar amounts reflect real property investment costs only and do not include personal property costs.
[3] The Total LSI Value is a Service estimate based on the beginning TC-GRCA001-15 LSI of $56,950,924, multiplied by the estimated CPI-U inflation rate for 2015 of 2.4%, minus depreciation of 1.0% (a contractual element of TC-GRCA001-15). The Service will calculate the actual beginning LSI for GRCA001-16,when the 2015 CPI-U data becomes available.
[4]This represents a Service estimated personal property value, including the required purchase of the modular dorms. Please refer to the above Personal Property section and the Prospectus Appendix for personal property listing.

Source: NPS

Estimated Investments in 2017[1]

Item	Amount
Concession Facilities Improvement Program (Year 2)	$1,747,000
Personal Property Associated with Concession Facility Improvement Programs (Year 2)	$115,000
Deferred Maintenance	$1,382,400
Concession Facilities Improvement Program (Maswik South[2])	$11,756,000
Personal Property Associated with Concession Facility Improvement Programs (Before Year 5)	$1,754,000
Total	**$16,754,400**

[1]All dollar amounts represented in 2017$
[2]If Concessioner chooses to commence the Maswik South project in Year 2 and not at a later time as allowed by the Draft Contract.
Source: NPS

No Preferred Offeror

The Director of the Service has determined that no Preferred Offeror for this Draft Contract exists pursuant to the terms of 36 C.F.R. Part 51. This solicitation for commercial services is fully competitive.

Leasehold Surrender Interest ("LSI")

The Existing Contract requires the Existing Concessioner to sell and transfer to the successor its Leasehold Surrender Interest (LSI) held in connection with its operations. Appendix A of this Prospectus includes a copy of the Existing Contract, including all amendments. The Concessioner must compensate the Existing Concessioner pursuant to the terms of the Existing Contract for the LSI associated with Concession Facilities assigned to the Draft Contract.
Existing Contract reflects the value of the LSI at $58,577,678 as of the effective date of the Existing Contract and provides this amount will increase by CPI and decrease by 1.0% reflecting depreciation. Based on this formula, the Service estimates the beginning LSI under the Draft Contract will be $59,397,765.

The Prospectus provides the Concessioner with two options for the treatment of the depreciation component of Leasehold Surrender Interest value. These options include:

1) Regular depreciation LSI - LSI depreciates as defined in Exhibit A1 (Regular) of the Draft Contract.

OR

2) Straight-line depreciation LSI – LSI depreciates as defined in Exhibit A2 (Straight-line) of the Draft Contract.

Required Personal Property Purchase

The Existing Contract provides that the Concessioner will purchase from the Existing Concessioner up to 13 modular dorm units purchased by the Existing Concessioner at a price reflected the cost of the units less depreciation on a 20-year basis. See Section 17(d) of the Existing Contract. The Existing Concessioner's cost of the units is estimated at $1,000,000. The Service included this amount as part of the Personal Property Initial Investment.

Minimum Franchise Fee

The minimum franchise fee will differ based on the treatment of the depreciation component of LSI selected by the Offeror.

1) Minimum Franchise Fee with Regular depreciation LSI Option – Eight percent (8.0%) of annual gross receipts

OR

2) Minimum Franchise Fee with Straight-line depreciation LSI Option – Six and four-tenths percent (6.4%) of annual gross receipts

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INTRODUCTION

The National Park Service ("Service") intends to award a concession contract in Grand Canyon National Park ("Park") for concession operations at six lodging operations, 14 food and beverage operations, eight retail operations, transportation services, and other services. This Prospectus describes in general terms the existing business operations and the future business opportunities for the facilities and services required by the Service. Offerors are responsible for reviewing all sections of this Prospectus and, specifically, the terms and conditions of the Draft Concession Contract CC-GRCA001-16 ("Draft Contract"), including its exhibits, to determine the full scope of the Concessioner's responsibilities under the Draft Contract.

The GRCA001 Contract is one of the largest in the Service in terms of revenue and lodging inventory

The Service is conducting this solicitation in accordance with the National Park Service Concessions Management Improvement Act of 1998 (P.L. 105-391), as implemented by the Service in Title 36 of the Code of Federal Regulations (C.F.R.) Part 51. The term "Concessioner" as used in this Prospectus refers to the entity that will be the Concessioner under the Draft Contract. The term "Existing Concessioner" refers to Xanterra South Rim, L.L.C., the Concessioner under the existing GRCA001 concession contract ("Existing Contract"). Copies of 36 C.F.R. Part 51 and the Existing Contract are included as Appendices to this Prospectus.

In the event of any inconsistency between the terms of this Prospectus and 36 C.F.R. Part 51, the latter will prevail. In the event of any inconsistency between the description of the contract terms contained in this Prospectus and the Draft Contract itself, the terms of the Draft Contract will prevail.

This opportunity includes operations long associated with the largest concession operation at the South Rim of the Grand Canyon including the historic El Tovar Hotel and Bright Angel Lodge. The Draft Contract requires projects to improve the visitor experience including improved lodging and food and beverage offerings.

The National Park Service and Its Mission

In 1916, President Woodrow Wilson approved legislation creating the Service within the Department of the Interior. That legislation mandated that Congress created America's National Park Service to:

> *…conserve the scenery and the natural and historic objects and the wild life therein and to provide for the enjoyment of the same in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations.*
> *54 U.S.C. § 100101(a)*

View of Grand Canyon from El Tovar

Additionally, Congress declared that the National Park System should be:

> *…preserved and managed for the benefit and inspiration of all the people of the United States. . . . 54 U.S.C. § 100101(b)*

The Service has as its overall mission the preservation and public enjoyment of significant aspects of the nation's natural and cultural heritage. To learn more about the National Park Service, visit www.nps.gov. This site includes information about the Service's mission, policies, and information on individual Park units.

In 2016 the Service will celebrate its centennial, commemorating 100 years of protecting the country's natural and cultural heritage and using the opportunity to re-introduce itself to the American people through a public engagement campaign called Find Your Park. Every year the NPS welcomes almost 300 million visitors to more than 400 parks, and the Service is present in communities across the country through education partnerships, community conservation programs, and more. The Concessioner under the Draft Contract will have the opportunity to join the effort to prepare the National Park Service for its second century, and connect with and create the next generation of park visitors, supporters, and advocates. The Concessioner also will help Grand Canyon National Park celebrate its centennial in 2019.

GRAND CANYON NATIONAL PARK: ONE OF THE SEVEN NATURAL WONDERS OF THE WORLD

Park Overview

Grand Canyon National Park was designated a National Park in 1919 and a World Heritage Site in 1979. The Park encompasses more than 1.2 million acres and offers an extensive array of recreational activities. The namesake and main feature of the Park, the Grand Canyon, stretches 277 miles, averages 4,000 feet deep along its entire length, reaches a depth of 6,000 feet at its deepest point, and spans 15 miles at its widest point. Among other distinctions, the Canyon is considered one of the seven "Natural Wonders of the World."

Over the past five to six million years, the Colorado River and its tributary streams carved the canyon's spectacular width and depth. Nearly 40 different rock layers comprise the canyon walls and provide a record of three of the four eras of geological time, one of the most comprehensive records of geological history in the world. In addition, the canyon and its numerous side canyons and caves provide a plethora of paleontological, archeological, and biological resources.

More than four million people visit the Park annually to enjoy the broad variety of experiences it has to offer, such as hiking, Colorado River rafting, mule riding, and viewing the canyon from different vantage points.

Visitors can find two primary concentrations of visitor services in the Park: the "South Rim area" and the "North Rim area." The South Rim concession areas include the Village and Market Plaza areas, Hermits Rest, and Desert View. The Park is open year-round, as are most South Rim concession accommodations and services. The North Rim features more limited concession facilities with one concessioner offering a seasonal operation including lodging, food and beverage, and retail, and a second concessioner providing seasonal mule rides. Numerous other commercial operators provide visitor services in the North and South Rim areas through concessions contracts or commercial use authorizations. In addition to the services provided by the subject concession, other Park concession services include:

- lodging, food and beverage, and retail services,
- bicycle rental and food and beverage services,
- multi-day raft trips on the Colorado River,
- mule rides on the North Rim, and
- rail tour services to the South Rim.

The Park's official partner, the Grand Canyon Association ("GCA"), also has a significant retail presence at locations throughout the Park. The GCA uses revenues generated from its retail outlets to provide environmental education services and materials to Park visitors.

Grand Canyon Mules

BUSINESS OPPORTUNITY IN ONE OF THE NATION'S MOST POPULAR NATIONAL PARKS

The Draft Contract offers a unique business opportunity for a resort operator to manage a large, multi-faceted hospitality operation, including Phantom Ranch on the floor of the Grand Canyon. In addition, the Draft Contract offers an opportunity to construct new lodging accommodations, improve and expand food and beverage operations; and manage other ancillary services. The following describes the services included in the Draft Contract.

Lodging: The lodging department provides the largest source of revenue for the Draft Contract. The Concessioner will operate the historic El Tovar Hotel and Bright Angel Lodge, as well as the Kachina, Thunderbird, and Maswik Lodges. The Concessioner also will operate the Phantom Ranch rustic lodge on the floor of the Grand Canyon.

Food & Beverage: The Concessioner will manage food and beverage operations at its El Tovar, Bright Angel, Phantom Ranch, and Maswik lodging locations. In addition, the Concessioner will operate the Arizona Room restaurant and Hermits Rest snack bar. The Concessioner also will implement a new food and beverage service - three mobile food trucks at Service approved locations.

Lookout Studio

Retail: The Concessioner will operate retail outlets at all of its assigned lodging operations, as well as Lookout Studio, Hopi House, and Hermits Rest.

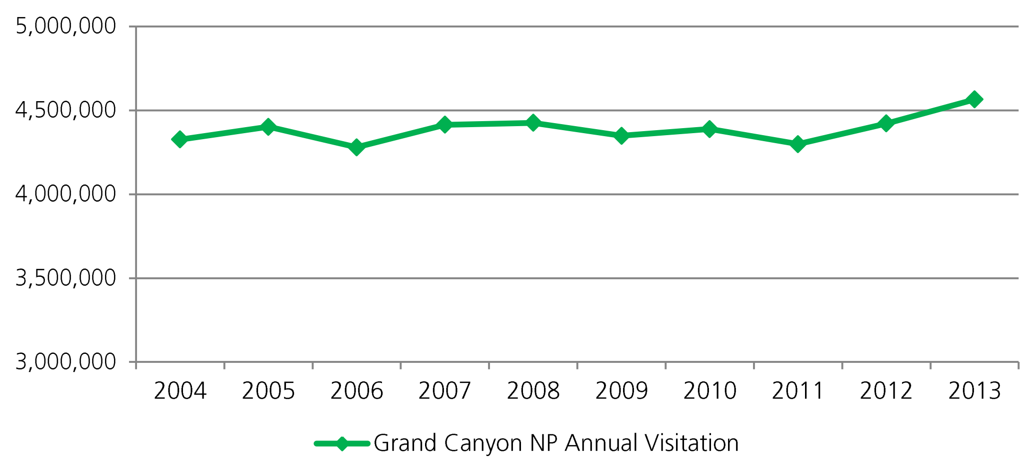
Transportation: The Concessioner will offer interpretive bus tours, taxi service in the Village area, and mule tours on the canyon rim and to Phantom Ranch.

Other: The Concessioner will operate the kennel, provide roadside assistance service, and provide vending in several locations.

Grand Canyon National Park Visitation

Since the establishment of Grand Canyon National Park in 1919, visitation has increased at a compound annual growth rate of more than five percent. Over the last ten years, visitation has remained relatively stable, varying between 4.0 million visitors per year and 4.4 million visitors per year, with the peak occurring in 2008.

Exhibit 1 – Grand Canyon National Park Historical Recreation Visitation



Source: NPS

Grand Canyon has had highly stable visitation for the past 10 years

Park visitation remained steady through 2008, with the exception of 2006 when fire closed the North Rim entrance in July, resulting in a significant decrease in the number of visitors to the Park. Another decline in 2011 possibly reflected a slight downward trend as the national economy stabilizes and prepares for moderate growth as it exits the recent recession. In 2012, recreational visits increased to almost 4.5 million and to over 4.5 million in 2013, despite the effect of the government shutdown in October of that year.

MARKET AREA OVERVIEW

Grand Canyon National Park is located in the northwestern region of the State of Arizona, as indicated in the following regional map.

Exhibit 2 – Regional Context of Grand Canyon National Park

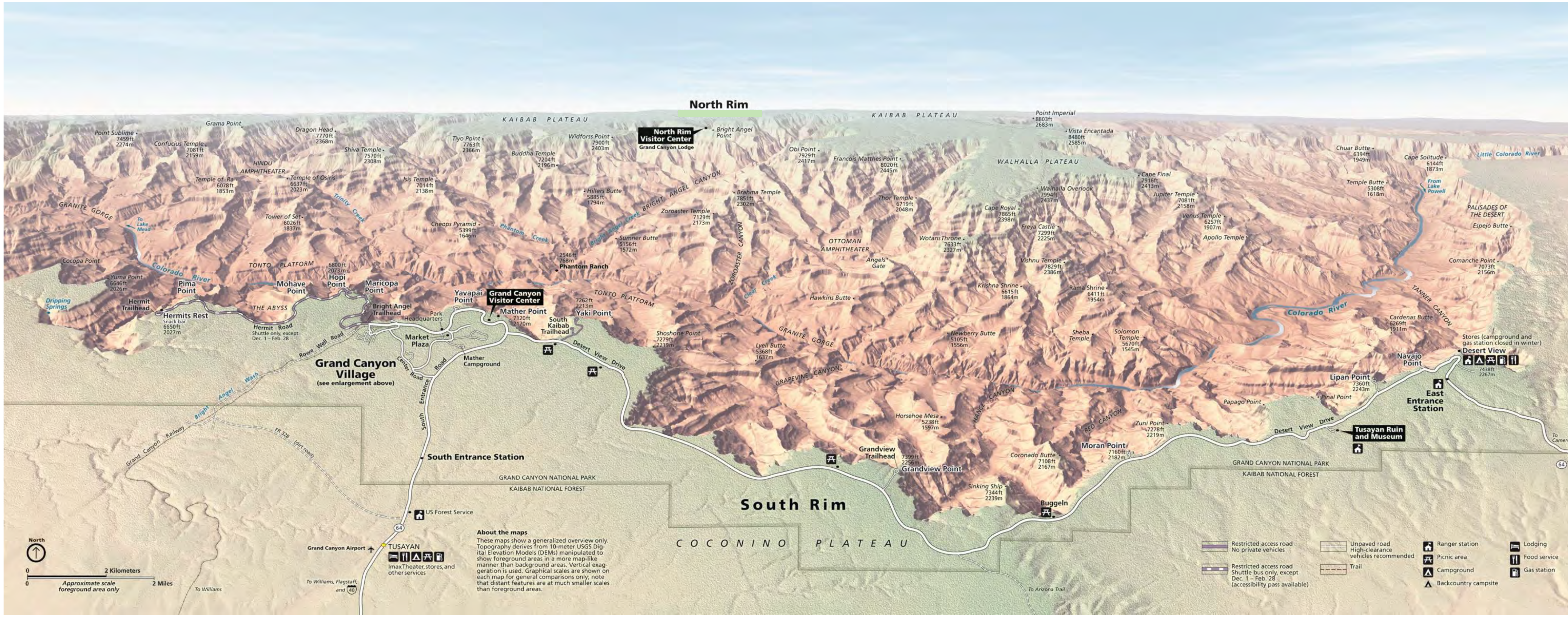
Source: Google Maps

The Park is located approximately 75 miles northwest of Flagstaff, AZ, and nearly 60 miles north of Williams, AZ. The closest incorporated town to the Park is Tusayan, AZ, located approximately five miles south of the Park entrance. The Kaibab National Forest, and the Navajo, Hualapai, and Havasupai Indian Reservations surround the Park.

Two principal developed areas support visitation to the Park: the North Rim and the South Rim. Approximately 90 percent of visitors to the Park first see the canyon from the South Rim, a likely testament to its proximity to the interstate system and airports, as well as the large base of visitor services located there. To reach the North Rim from the South Rim by automobile, visitors must travel more than 200 miles. The North Rim, including its concession operations, closes during the winter months.

The following map provides a geographic context for the Park.

Exhibit 3 – Geographic Context of Grand Canyon National Park



Source: NPS

Local Competitive Market

The greatest competition for services provided under the Draft Contract likely will come from the concessioner of the GRCA003 concession facilities and the GCA for retail operations provided within the Park.

The closest tourism market of Tusayan depends almost entirely on Grand Canyon National Park visitation. Farther away, the town of Williams also depends largely on Park visitation. While likely somewhat dependent on the Park, Flagstaff has a more sustainable and diverse economy.

Lodging

Lodging competition includes the 358-room Yavapai Lodge, operated by the GRCA003 concessioner, as well as operations outside the Park. Yavapai lodging occupancy has ranged between 93 and 97 percent over the past three years (2009-2011) during the periods when it is open, historically mid-March through mid-November. The concessioner under that contract has the option to operate the facility on a year-round basis.

Outside the Park, the local Tusayan and Williams lodging inventory historically has operated at an average annual occupancy of between 63 to 65 percent.

Food and Beverage

In-Park competition for the food and beverage operation includes a limited-service, fast-casual restaurant at Yavapai Lodge, a delicatessen at the Market Plaza General Store, food service at Desert View, a quick-service food operation consisting of sandwiches, beverages and light food items at Camper Services, and the coffee shop near the Visitor Center.

In Tusayan, dining options include nationally branded fast food restaurants and locations within lodging facilities. Williams offers primarily stand-alone restaurant options.

Bright Angel Restaurant

Retail

The Concessioner's retail operation will face competitive pressure from GRCA003 retail outlets, which have a strong retail presence in the Park.

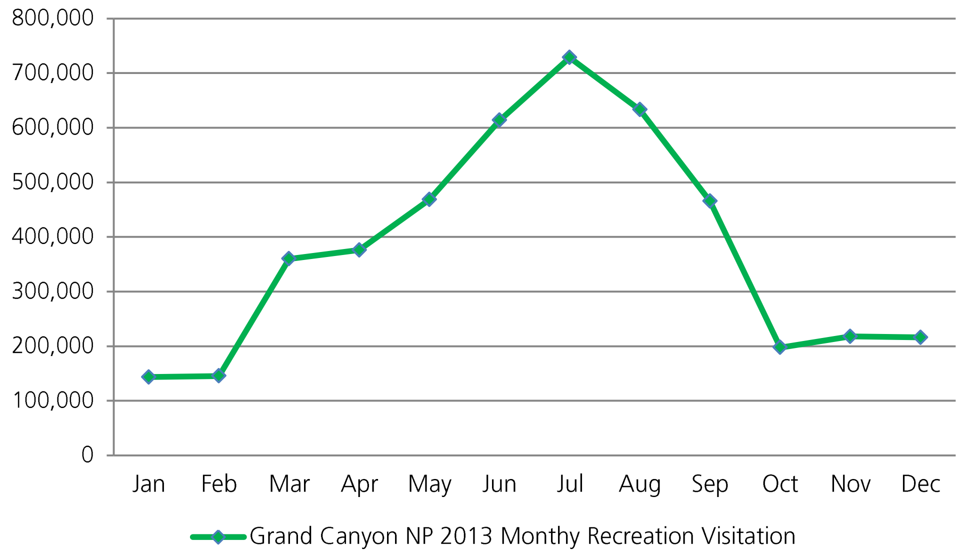
The GCA currently operates five outlets on the South Rim and may add a sixth during the term of the Draft Contract. The GCA offers interpretive merchandise that provides an attractive option to visitors. The GCA enjoys the benefit of prime locations for its outlets, including the main South Rim visitor center.

Retail options outside the Park include a general store and souvenir stores in Tusayan. Williams offers a full-service chain grocery store, as well as a wide selection of gift and souvenir shops. Somewhat farther away, Flagstaff offers its own selection of shops, a small mall, and "big box" and other national retail chain stores.

Market Seasonality

Much of the Park's annual visitation occurs during the spring and summer months with an average of approximately 70 percent of Park visitation during this time. This seasonality provides an opportunity for the Concessioner to build revenue by focusing on drawing more visitors to the Park during the off-seasons. The following table presents Park recreation visitation seasonally for the past five years.

Exhibit 4 - Grand Canyon Park Recreation Visitation Seasonality[1]



[1]October visitation numbers were affected by the government shutdown

Source: NPS

EXISTING CONCESSION OPERATIONS

The Existing Concessioner provides the services summarized below under the Existing Contract, a copy of which is included in the Appendix to this Prospectus.

Exhibit 5 - Existing Contract Required Services[1]

Outlet	Location	Offerings
Lodging		
El Tovar Hotel	Village	66 standard rooms, 12 suites
Kachina Lodge	Village	49 rooms
Thunderbird Lodge	Village	55 rooms
Bright Angel Lodge and Cabins	Village	33 standard rooms, 19 rooms with shared bath, 34 historic cabins, 4 suites
Maswik Lodge	Village	250 standard rooms, 28 quad-cabin rooms
Phantom Ranch	Village	11 cabin units and 4, 10-person dormitories
Food & Beverage		
El Tovar Dining Room	Village	250 seats
El Tovar Lounge	Village	72 seats
The Arizona Room and Lounge	Village	120 seats, plus 20 lounge seats
Bright Angel Restaurant	Village	120 seats
Bright Angel Fountain	Village	0 seats – walk-up counter service
Bright Angel Lounge/Canyon Coffee House	Village	80 seats
Maswik Cafeteria	Village	395 seats
Maswik Pizza Pub	Village	78 seats
Hermits Rest Snack Bar	Hermits Rest	0 seats – walk-up counter service
Phantom Ranch Canteen	Floor of Canyon	44 seats
Retail		
El Tovar Gift Shop	Village	1,000 SF; gifts, jewelry, Native American handcrafts
El Tovar Newsstand	Village	243 SF; newspapers, magazines, convenience items
Bright Angel Gift Shop	Village	1,800 SF; gifts, souvenirs
Maswik Gift Shop	Village	1,600 SF; gifts, souvenirs
Hopi House	Village	4,159 SF; gifts, jewelry, Native American handcrafts
Lookout Studio	Village	876 SF; gifts, souvenirs,
Hermits Rest Gift Shop	Hermits Rest	1,200 SF; gifts, souvenirs
Phantom Ranch Sundries and Convenience	Floor of Canyon	Limited souvenirs and convenience items
Transportation		
Interpretive Bus Tours	Throughout South Rim Area	Various interpretive bus tours to Hermits Rest, Desert View, and other Park areas
Taxi Service	Village	Taxi service within a radius approved by the Service
Mule Rides	Canyon Rim and Phantom Ranch	Tours by mule along the canyon rim and to Phantom Ranch on the Grand Canyon floor
Other		
Vending	Throughout Concession Facilities	Managed appropriately-located vending services
Kennel	Village	Care for visitors' cats and dogs

[1]*All services are open year-round*

Source: NPS

FUTURE OPERATIONS

The Draft Contract describes the following visitor services.

Under the Draft Contract, the Concessioner must complete a Concession Facility Improvement Program (CFIP) and investment in new personal property, some of which relate to the CFIP, all of which primarily focus on improving direct visitor services. The Service will assign facilities for support services and will withdraw some of these facilities after the Concessioner completes the CFIP project related to the McKee warehouse conversion to concessioner use. Additionally, the Service may withdraw Shirley Hall at some point during the term of the Draft Contract (see section on "Withdrawal of Concession Facilities" below). If the successful Offeror submits a proposal to renovate and use the historic Powerhouse building, and if the Service agrees, the Concessioner also will have the opportunity to provide additional visitor services in that location.

The following table presents the Required and Authorized Services for the Draft Contract.

Exhibit 6 – Required[1] and Authorized Services of the Draft Contract

Required Service	Location
Lodging	El Tovar Hotel Bright Angel Lodge and Cabins Maswik Lodge Phantom Ranch Guest Quarters Kachina Lodge Thunderbird Lodge
Food and Beverage	El Tovar Arizona Room Bright Angel Hermits Rest Snack Bar Maswik Phantom Ranch Canteen Mobile Food Operations
Retail	El Tovar Bright Angel Maswik Hermits Rest Hopi House Lookout Studio Phantom Ranch
Transportation	Interpretive Bus Tours Inner Canyon and Rim Mule Rides Taxi Service
Kennel Operation	South Rim
Vending	Throughout Concession Facilities
Roadside Assistance Service	South Rim

Authorized Service	Location
Limited Automobile Garage Services	South Rim Concessioner Support Facility
Valet Parking	El Tovar

[1] *The Concessioner must provide all required services year-round*

Source: NPS

Employee Services

Employee Housing, Dining Rooms, Shuttle, and Recreation

In addition to the required visitor services, the Concessioner must provide housing, dining operations, and a recreation program for its employees. Exhibit 7 presents the current usage of in-Park employee housing of the Existing Concessioner for the services under the Draft Contract. If the Concessioner identifies additional requirements for employee housing, the Concessioner must meet those needs outside the Park boundary.

The following is an inventory of in-Park employee housing assigned to the Draft Contract.

Exhibit 7 – Employee Housing

Type of Housing	# of Units	# of Beds	Estimated Occupancy[1]
Single Family Homes	46	46	1 employee/unit
Duplexes/Multiplex Units	41	74	1.8 employees/unit
Dormitory Rooms	219	402	1.8 employees/unit
Pinyon Park Dorm Trailers	52	78	1.5 employees/unit
Coconino Apartment Units	135	242	1.8 employees/unit
Maswik Cabins (including 28 units currently used as visitor use)	66	132	2 employees/unit
Pinyon Park Trailer Sites	24	36	1.5 employees/unit
TOTAL	**583**	**1010**	

[1]"Estimated Occupancy" represents the average capacities for each type of housing. The Draft Contract does not specify the capacities of employee housing assigned to the Concessioner.

Source: NPS

For the purposes of determining its total employee housing needs, the Offeror should develop staffing plans and schedules for the required operations. The Service will not authorize construction of additional employee housing within the Park. If an Offeror's staffing analysis identifies a need for additional employee housing, the Offeror must plan to accommodate this housing outside of the Park and incorporate any related incremental cost as an operating expense on its pro forma submitted as part of its proposal.

The Service included $500,000 annually in its franchise fee analysis to accommodate higher wages, provide shuttles for those employees who may live outside the Park, and to convert employee housing to year-round occupancy if necessary.

The Service also will require the Concessioner to operate a first response fire brigade to protect facilities assigned to it and a recreation hall that will be open to all Park residents for a fee.

Due to the remote location of the Park and limited employee access to transportation and services, the Concessioner also must provide its employee after-hours shuttle service within the Grand Canyon Village, and develop and provide organized recreational opportunities for its employees.

REQUIRED CONCESSION FACILITY IMPROVEMENT PROGRAM (CFIP) AND OTHER INVESTMENTS UNDER THE DRAFT CONTRACT

The Draft Contract requires the Concessioner to complete the CFIP and certain personal property capital investments as outlined, then further discussed, below.

- Demolish and replace Maswik South lodge complex;
- Implement new, quick service outlets within the El Tovar Lounge and within the lobby area of the newly replaced Maswik South lodge complex;
- Implement mobile food service;
- Convert the McKee Warehouse to a support facility for GRCA concession operations;
- Expand patio dining at El Tovar Hotel; and
- Improve historic cabin and rim unit interior finishes at Bright Angel Lodge.

Improvements required under the Draft Contract offer opportunities to enhance visitor services and Concessioner revenues

The Service has estimated the following timelines and costs for completion of the CFIP projects outlined in this section.

Exhibit 8 – Required CFIP Improvement Projects[1,2]

Project	Project Start Year	Year of Project Completion	First Year of Full Operation	Estimated Cost
Maswik South Lodging	2017-2020	2019-2022	2020-2023	$11,756,000
Conversion of McKee Warehouse to Concession Support	2017	2017	2018	$1,747,000
Quick Service Food Outlets at Maswik	2017-2020	2019-2022	20120-2023	$50,000
Quick Service Food Outlets at El Tovar	2016	2016	2017	
Expanded Patio Dining at El Tovar	2016	2016	2017	$328,000
Bright Angel Lodge Improvements	2016	2016	2017	$90,000
Total				**$13,971,000**

[1] "Estimated Cost" includes real property investments associated with the projects, including real property investments that may or may not be eligible for LSI credit. Personal property investments associated with these projects are presented in Exhibit 9.

[2] The Service is providing the Concessioner a range of dates to commence the Maswik South Lodging project. The Concessioner must complete the project no later than two years after commencing the project. Within the first six months after the effective date of the Draft Contract, the Concessioner must submit its proposed timeline for the Maswik South Lodging project to the Service.

The Service estimates the Concessioner will complete some projects at some point during the "Year of Project Completion" noted, allowing the Concessioner to operate them for a partial year. The "First Full Year of Operation" represents the first full year of generated revenues for the completed projects.

Source: NPS

Exhibit 9 – Required Personal Property Investments[1]

Project	Project Start Year	Year of Project Completion	First Year of Full Operation	Estimated Cost
Maswik South Lodging	2017-2020	2019-2022	2020-2023	$1,754,000
Quick Service Food Outlets at Maswik	2017-2020	2019-2022	2020-2023	$115,000
Quick Service Food Outlets at El Tovar	2016	2016	2017	
Mobile Food Service	2016	2016	2016	$182,000
Conversion of McKee Warehouse to Concession Support	2017	2017	2018	$132,000
Expanded Patio Dining at El Tovar	2016	2016	2017	$14,000
Bright Angel Lodge Improvements	2016	2016	2017	$505,000
Total				**$2,702,000**

[1]The Service is providing the Concessioner a range of dates to commence the Maswik South Lodging project. The Concessioner must complete the project no later than two years after commencing the project. Within the first six months after the effective date of the Draft Contract, the Concessioner must submit its proposed timeline for the Maswik South Lodging project to the Service.

The Service estimates the Concessioner will complete some projects at some point during the "Year of Project Completion" noted, allowing the Concessioner to operate them for a partial year. The "First Full Year of Operation" represents the first full year of generated revenues for the completed projects.

Source: NPS

Demolish Existing and Construct New Maswik South Lodging

The buildings making up the Maswik South complex are near the end of their useful life and would require considerable investment to bring up to acceptable standards. The Concessioner must demolish the Maswik South complex and replace it with 90 midscale standard lodging rooms with microwave and refrigerator, and 30 midscale lodging rooms with kitchenettes including stovetops. The Service expects the Concessioner to design the new lodge(s) to fit within the current footprint and meet or exceed the LEED (Leadership in Energy and Environmental Design) silver standards. This project also must include a quick service food operation offering beverages and light food items located in the new lobby space. The Service is providing the Concessioner a range of dates to commence the Maswik South Lodging project. The Concessioner must complete the project no later than two years after commencing the project. Within the first six months after the effective date of the Draft Contract, the Concessioner must submit its proposed timeline for the Maswik South Lodging project to the Service. The Service assumes this project will take two years to complete with the first full year of operations commencing in 2020-2023 depending on the commencement year.

El Tovar Hotel Quick Service Coffee and Pastries

The Concessioner must supplement the El Tovar dining room in the mornings by offering specialty coffee and pastries in the El Tovar Lounge. A relatively small investment in personal property and equipment will support the new venue.

Mobile Food Service

The Concessioner will expand the availability of food service throughout the South Rim Village area by providing two or three mobile food operations. Currently, visitors gather at several locations that lack adequate levels of food and beverage service for the demand. This new service will include two to three mobile food trucks parked in various locations in the South Rim area from late morning to early afternoon. The food trucks could offer locally inspired, healthy options including, but not limited to, burritos, sandwiches, and wraps, as well as beverages.

Conversion of McKee Warehouse to Concession Support Facilities

The Service intends to assign certain support facilities (listed in Exhibit 10 below) on a temporary basis to the Concessioner until the McKee Warehouse conversion, described below, is complete.

Exhibit 10 – Back of House Buildings to be Assigned Temporarily

Building	Square Footage
Building 562, Carpenter Shop	11,191
Building 569, Purchasing Receiving	10,887
Building 572, Maintenance	3,948
Building 573, Office/Storage, Powerhouse Area	125
Total Square Footage	**26,151**

Source: NPS

In addition to these temporarily assigned buildings, the Concessioner may use the main commercial laundry building near Maswik Lodge as a support facility for the term of the Draft Contract (due to the elimination of laundry operations on the South Rim). Even with these buildings; however, the Concessioner will need additional storage or maintenance space. Accordingly, the Service will assign the Concessioner the McKee warehouse building, a space of approximately 18,525 square feet. The Service will retain the use and access of an approximated 8 ft. X 12 ft. closet that houses the Service's information technology equipment. The Concessioner may continue to locate its fleet repair and public garage operations in the General Offices building. The Concessioner must fund all Capital Improvements associated with renovating the McKee warehouse space to accommodate its operations and, thereafter, must maintain the facility. Upon substantial completion of the renovations, as the Concessioner relocates the support operations to the McKee warehouse, the Service will amend the Draft Contract (as awarded) to remove the buildings listed in Exhibit 10 from assignment to the Concessioner.

The concessioner under the GRCA003-15 contract also will need certain support space for its operations. The Service, thus, requires the GRCA001 Concessioner to sub-assign under the terms of a written agreement between the Concessioner and the GRCA003 concessioner, at least one-third of the McKee warehouse interior space and associated interior and exterior common areas to the GRCA003 concessioner. The sub-assignment agreement will permit the Concessioner to charge the GRCA003 concessioner a reasonable fee for use of the sub-assigned space. In the event that the Concessioner and the GRCA003 concessioner cannot reach agreement on the terms of the sub-assignment agreement within 90 days following the effective date of CC-GRCA001-16, the Service will establish terms and conditions for such agreement that will be binding on both parties.

As part of the renovations, the Service expects the Concessioner will install separate electricity and water/sewer meters so that the GRCA003 concessioner will be responsible for its own utility usage. The Service further expects the Concessioner to cooperate with the GRCA003 concessioner to accommodate its build-out requirements, if any.

El Tovar Entrance

Expanded Patio Dining at El Tovar

The El Tovar lounge presents an excellent opportunity for outdoor dining. The Concessioner must expand seasonal dining options for the El Tovar by modifying a portion of the existing landscape with appropriate material and incorporating up to 35 tables of outdoor seating near the lounge entrance.

Bright Angel Lodge Personal Property Improvement

The Bright Angel Lodge occupies one of the best locations in the Draft Contract lodging portfolio. Several cabins offer unobstructed views of the Canyon with a rustic feel one might expect when visiting a historic national park lodge. The décor and finishes of the Bright Angel Lodge; however, are somewhat outdated. With some improvements, the Bright Angel Lodge may offer an opportunity for increased room rates and revenue consistent with Service Policy. The Concessioner must improve the overall décor of the Bright Angel historic cabin and Rim units through an investment in personal property. This room renovation project will include complete replacement and updating of personal property items, as well as improvement to the rooms' finishes.

Bright Angel Cabin

WITHDRAWAL OF CONCESSION FACILITIES

The Service assigns the following Concession Facility to the Concessioner for the first five years of the Contract. After that time, with one year's written notice, the Service may withdraw it from assignment to the Concessioner.

FMSS Number	Park Building Number	Building Name
83886	557	Shirley Hall

POTENTIAL ADDITIONAL CONCESSION FACILITY AND AUTHORIZED SERVICE(S)

The Powerhouse building, a National Historic Landmark, once generated power for the Grand Canyon Village. The building is located in the middle of the Village area visible by almost any visitor to the South Rim. The Service believes potential exists for the facility to become an attractive, iconic part of the concession portfolio. The Service is in the process of obtaining an environmental assessment of the building and plans to remediate any environmental and life safety issues that study may identify. If the Concessioner so chooses and the Service agrees, at some time after the effective date of the Draft Contract the Concessioner would renovate the building into a useful condition and occupy it under the terms of an amendment to the Draft Contract. The Service estimates the Powerhouse has approximately 11,100 square feet of usable space.

Powerhouse Building

The Service included an elective provision at the end of the Proposal Package (Part III of this Prospectus) seeking ideas from Offerors on what type of service would meet visitor needs and fit in this facility, and how they would renovate the building for that use. If the Service approves the proposed use(s) and associated costs, after the effective date of the Draft Contract, the Service and the Concessioner will enter into negotiations for a Contract amendment toward the goal of assigning the Powerhouse as a Concession Facility and authorizing specified services offered by the Concessioner.

If Offerors choose to respond to this part of the Proposal Package, they must submit proposals to adaptively re-use the Powerhouse building for new visitor services separately as further described at the end of the Proposal Package. Proposals to re-use the Powerhouse are entirely optional and the Service WILL NOT consider them in the evaluation of an Offeror's response.

FINANCIAL AND OPERATING DATA

The Proposal Package (Part III of this Prospectus) requires Offerors to develop financial projections based on the operations the Concessioner will provide under the Draft Contract. To assist Offerors in the development of these projections, the Service presents information regarding historical utilization and prospective operating information on the following pages. Please note that operating projections are estimates based on Service assumptions developed considering publicly available historical data, industry standards, and comparable information from other facilities.

The Service does not guarantee these projections will materialize and assumes no liability for the accuracy of the projections presented. Offerors must compile and present their own financial projections based on their independent assumptions, due diligence, and industry knowledge.

Park Issues to Consider Under the Draft Contract

Should the Concessioner need additional space for operations beyond that made available under the Draft Contract, the Concessioner must meet those needs outside of the Park.

In 2009 the Service completed development of a large parking area at the South Rim Visitor Center, resulting in a change in visitor traffic patterns. One of its recently opened roads routes visitors past the General Store and Yavapai Lodge, facilities assigned to the concessioner under GRCA003-15.

Water availability is a constant concern for the Service. The Service delivers water to the South Rim over a long distance through an aging pipeline. This infrastructure needs significant repair. The Service is developing cost estimates and a plan to replace the water utility infrastructure, but definitive plans are not yet available. Please see additional information on this topic under the Utility Add-On section on Page 31.

Hopi House

The Service will eliminate commercial laundry operations from the South Rim at the beginning of the Draft Contract, due to the heavy impacts associated with the laundry's power and water use. Consequently, the Concessioner must secure laundry facilities outside the Park or contract with a commercial laundry provider. The Flagstaff area includes commercial laundry operators with capacity and interest to provide this service. The Concessioner will continue to have laundry operations at Phantom Ranch.

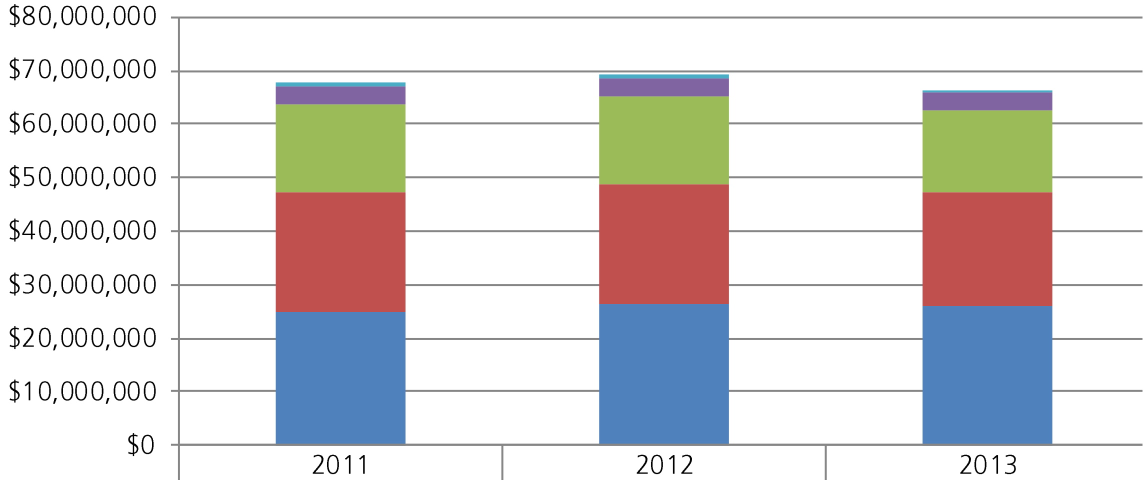
At Phantom Ranch, the Service requires implementation of a unique reservation system. This system will require the Concessioner to provide lodging for its mule riders, book no more than 25% of beds per night as group reservations, and use a lottery system to book remaining beds.

Historical Gross Revenue

Gross revenue for the required visitor services included in the Draft Contract have historically been very stable. From 2011 through 2013, the Service estimates the required visitor services included in the Draft Contract have generated average annual revenues of $66.1 million. The Service estimates revenue for the lodging, retail, and food and beverage departments increased from 2011-2012, but decreased slightly in 2013 as a result of the federal government shutdown. Other revenues, comprised of the visitor garage service, vending services, and the kennel, have remained relatively unchanged over the period.

Exhibit 11 below provides a graphic representation of the contribution of each major category of revenue allocated to key departments.

Exhibit 11 - Historical Revenue Distribution, GRCA001[1, 2, 3]



	2011	2012	2013
Other	$691,286	$707,595	$617,392
Transportation	$3,248,329	$3,397,781	$3,302,675
Retail	$16,458,909	$16,394,609	$15,144,363
F&B	$22,269,077	$22,590,585	$21,531,223
Lodging	$25,074,667	$26,244,360	$25,843,668
Total	**$67,742,269**	**$69,334,930**	**$66,439,322**

[1] "Other" revenues include revenues from the visitor service garage, vending, and the kennel service.
[2] The Service estimated 2009 and 2010 gross revenue (not shown in the table) using the actual historical gross revenues associated with the services required under the Draft Contract, as reported by the Existing Concessioner. The Service estimated 2011-2013 revenue by using the same percentages used for the historical actuals in 2009 and 2010.

Source: NPS

Projected Revenue

In developing prospective revenue estimates, the Service made the following assumptions:

- Estimated inflation at 2.4 percent on an annual basis;
- Loss of room revenue during demolition of the existing Maswik South lodging and construction of the replacement Maswik South lodging, followed by increased average daily rate for the newly constructed facility;
- Increased average daily rate for improved Bright Angel cabin rim lodging rooms;
- Additional food and beverage covers due to expanded patio dining at El Tovar;
- Additional food and beverage covers due to the new mobile food truck service; and
- Additional food and beverage covers due to the new operations at Maswik South and El Tovar.

Lodging

Maswik North

The lodging department will contribute the largest proportion of revenue to the Draft Contract. As noted, lodging department revenues have remained relatively stable over the past few years. Due to the requirement for the Concessioner to improve lodging under the Draft Contract, the Service projects continued increases in lodging department revenues. The replacement of Maswik South will result in fewer available rooms for the Concessioner during removal of the old facility and construction of the new one. The construction of the new Maswik South Lodge and improvements made to personal property at Bright Angel Lodge, however, will result in increased revenue, because these venues will offer visitors a more stratified room inventory with an improved product. Additionally, the Service will allow the Concessioner to increase all lodging rates from the current rates five percent (5%) per year for years one and two of the Draft Contract, once awarded. Commencing in year three, the Concessioner will follow the current Service Rate Administration Guide for lodging rate requests.

The following table presents projected ranges for lodging operations in 2018, the first stabilized year of operation for most properties, with the exception of Maswik. Maswik metrics represent 2019 figures, the year the Service estimates that property will reach stabilization (which may be delayed recognizing that the Concessioner has the option to initiate the project for up to five years following the effective date of the Draft Contract).

Exhibit 12 - Projected Lodging Operating Metrics (2017$)[1]

Location	Occupied Roomnights	Average Daily Rate
El Tovar Hotel	24,000 to 27,000	$285 to $295
Bright Angel Lodge and Cabins	28,000 to 31,000	$130 to $140
Thunderbird Lodge	15,000 to 18,000	$225 to $235
Kachina Lodge	13,000 to 16,000	$225 to $235
Maswik Lodge [2]	62,000 to 65,000	$160 to $170
Phantom Ranch Dormitories[3]	10,000 to 13,000	$45 to $50
Phantom Ranch Cabins	3,400 to 3,700	$140 to $150
Total	**171,400 to 173,700**	**$175 to $185**
Lodging Department Revenue as % of Total Revenue		**38% to 42%**

[1]Projected ranges given are based on stabilized year.
[2]Maswik projected room nights and ADR reflect stabilization of this property in 2021-2024.
[3]Phantom Ranch Dormitory occupancy numbers reflect occupied bednights.

Source: NPS

Food and Beverage

The Draft Contract requires the Concessioner to implement a variety of improvements within the food and beverage department. The Service expects each improvement to increase demand for GRCA001 food service.

The Service requires the Concessioner to develop menus that include a range of healthy and sustainable options.

The El Tovar will offer expanded outdoor dining with up to 35 tables in the area outside the Lounge. This setting ideally accommodates customers who want to enjoy drinks and light dining in an outdoor setting overlooking the Grand Canyon.

Mobile food offerings will further expand dining and snack options for visitors along the Rim and in areas traditionally underserved by food outlets. Mobile food trucks positioned at sites such as near the Grand Canyon Railway depot, Hermits Rest, or other locations will introduce more substantial food service to guests in these areas.

Finally, the Service expects that the new quick service outlets at Maswik and El Tovar will better distribute food and beverage demand in these locations.

The following table presents projected ranges for the food and beverage department in 2016, the first stabilized year of operation for the outlets.

Exhibit 13 - Projected Food and Beverage Operating Metrics (2017$)

	Covers	Average Check
El Tovar Dining Room	325,000 to 335,000	$22.00 to $26.00
El Tovar Quick Service	12,000 to 17,000	$5.25 to $6.25
The Arizona Room and Lounge	79,000 to 84,000	$22.00 to $26.00
Bright Angel Restaurant	370,000 to 380,000	$13.00 to $15.00
Bright Angel Fountain	253,000 to 258,000	$3.75 to $4.75
Mobile Food Trucks	84,000 to 88,000	$5.25 to $6.25
Maswik Cafeteria and Maswik Pizza Pub	590,000 to 610,000	$7.50 to $8.50
Maswik Quick Service	13,000 to 18,000	$4.25 to $5.25
Phantom Ranch Canteen[1]	50,000 to 54,000	$31.50 to $33.50
Hermits Rest Snack Bar[2]	N/A	N/A
Total	**1,844,000 to 1,917,000**	**$11.00 to $14.00**
Food and Beverage Revenue as % of Total Revenue		**30% - 33%**

[1]The Phantom Ranch Canteen dining offering consists of a limited menu.

[2]Historically, Hermits Rest Snack Bar revenues were included in retail revenues for that outlet. The Service estimates that 30 to 40 percent of visitors to Hermits Rest purchase something at the Snack Bar, with an average check of less than $2.00.

Source: NPS

Retail

The retail department will contribute the third largest proportion of revenue to the Draft Contract. As noted, retail revenues exhibited a slight decrease between 2011 and 2013. The NPS expects retail revenue to stabilize and improve.

The Concessioner must develop and implement a merchandising plan for Service approval, aligning each retail outlet location with appropriate Park themes, as well as identifying items unique to each outlet the Concessioner will stock.

Please note: As of March 2012, the Service implemented a ban on the sale of individual serving sizes of bottled water within the Park. While initially this ban may have affected retail sales adversely, the sale of reusable water bottles at a range of price points (including a very low price point similar to the price of a bottle of water), and packets of electrolytes and other water enhancers, have helped overcome the loss of revenues from such bottled water sales.

The following table presents projected ranges for retail operations.

Exhibit 14 - Projected Retail Operating Metrics (2017$)

Location	Transactions	Average Transaction Value
El Tovar Gift Shop and Newsstand	105,000 to 115,000	$26.00 to $27.00
Bright Angel Gift Shop	238,000 to 243,000	$26.00 to $27.00
Maswik Gift Shop	100,000 to 105,000	$25.00 to $26.00
Hopi House	80,000 to 85,000	$41.00 to $42.00
Lookout Studio	83,000 to 88,000	$19.00 to $20.00
Hermits Rest Gift Shop	125,000 to 130,000	$13.00 to $14.00
Total	**731,000 to 766,000**	**$24.00 to $26.00**
Location	**Total Outlet Sales**	
Phantom Ranch Sundries and Convenience[1]	$390,000 to $400,000	
Retail Department Revenue as % of Total Revenue		**20% to 25%**

[1]Phantom Ranch retail sales are limited to a small inventory of items approved by the Service. The Concessioner displays one of each available item in the Phantom Ranch Canteen dining area, with inventory stored out of sight of guests. Transaction information was not available for Phantom Ranch retail sales.

Source: NPS

Transportation

The transportation department has been relatively stable in recent years. The Service believes the interpretive bus and mule tour services comprise an important component of the Grand Canyon visitor experience. The Service projects that the departmental revenue will improve as the Concessioner continues to enhance interpretive bus tours and the new above-rim mule ride.

The following table presents projected ranges for transportation operations in the first stabilized year of operation.

Exhibit 15 – Projected Transportation Operating Metrics

	Customers Served	Average Price per Customer
Interpretive Bus Tours	133,000 to 137,000	$13.00 to $14.00
Mule Tours	11,500 to 13,500	$200 to $210

Source: NPS

Other Revenues

The remaining sources of revenue for the Draft Contract include the kennel, roadside assistance, and vending services.

The Service estimates these operations will continue at status quo, increasing only by inflation for the term of the Draft Contract.

Projected Future Expense Assumptions

In developing projected expense estimates, the Service made the following assumptions:

- Staffing levels remain similar to current levels for the same operations and are appropriately staffed for expanded operations;
- Concessioner laundry operations will occur outside the Park (except for Phantom Ranch);
- The Concessioner will provide fire protection services for Concession Facilities and will cooperate with the Park's fire department regarding possible joint operations; and
- Adjustments of certain indirect and fixed expenses to reflect costs associated with the changes in operation.

Hermits Rest

INVESTMENT ANALYSIS

Leasehold Surrender Interest ("LSI")

The Existing Contract requires the Existing Concessioner to sell and transfer to the successor its Leasehold Surrender Interest (LSI) held in connection with its operations. Appendix A of this Prospectus includes a copy of the Existing Contract, including all amendments. The Concessioner must compensate the Existing Concessioner pursuant to the terms of the Existing Contract for the LSI associated with Concession Facilities assigned to the Draft Contract.

The estimated initial LSI value for the GRCA001-16 Draft Contract will be $59,397,765.

Treatment of Leasehold Surrender Interest in the Draft Contract

The Prospectus provides the Concessioner with two options for the treatment of the depreciation component of Leasehold Surrender Interest. The options include:

1) Regular depreciation LSI - LSI depreciates as defined in Exhibit A1 (Regular) of the Draft Contract.

OR

2) Straight-line depreciation LSI – LSI depreciates as defined in Exhibit A2 (Straight-line) of the Draft Contract.

The Service notes that the straight-line depreciation option is in accordance with clause (A) of Sec. 405(a)(4) of the National Park Service Concessions Management Improvement Act of 1998 (codified at 54 U.S.C. § 101915(b)(6)(A)(i)), in that it is based on applicable Federal income tax laws and regulations in effect in 1998. As it has stated in prior public filings, the Service is of the view that the determinations and restrictions set forth in the last two sentences of Sec. 405(a)(4) (codified at 54 U.S.C. §101915(b)(6)(B)) apply only to alternative formulas under clause (B) of that subsection (codified at 54 U.S.C. §101915(b)(6)(A)(ii)), so they are not applicable in this case.

Aside from those projects required by the Draft Contract, and the possibility of LSI-eligible work associated with the adaptive re-use of the Powerhouse, the Service does not intend to approve construction projects or major rehabilitation projects that would increase the amount of LSI during the term of the Draft Contract. The Service, however, may approve the installation or replacement of fixtures that may be eligible for LSI in accordance with the Draft Contract.

Personal Property

Except as described below, the Existing Contract does not require the Existing Concessioner to sell and transfer to its successor other property associated with the concession operations. Even so, the Service has assumed that the Concessioner would negotiate with the Existing Concessioner to purchase much of the personal property needed for operations.

The Service estimates the Concessioner would purchase personal property with a value of approximately $15.8 million in 2016 dollars. This estimate includes both personal property located in the Concession Facilities, such as furniture, trade fixtures, equipment, mules, and vehicles, and personal property located outside the Park necessary to provide the services required under the Draft Contract. This amount is an estimate only and the final value could differ from this estimate. An inventory list provided by the Existing Concessioner of Other Property is included as an Appendix to this Prospectus.

The estimated value of personal property held by the Existing Concessioner does not include the estimated value of personal property investments required of the Concessioner as listed in Exhibit 9 above.

Section 8(e)(3) of the Existing Contract requires the Existing Concessioner to transfer its Historic Personal Property to the Concessioner without further compensation. Under the Draft Contract, the Concessioner also must maintain such property with the Concession Facilities and transfer it to the successor concessioner without compensation.

Section 17(d) of the Existing Contract requires the Existing Concessioner to transfer new modular dormitory units for the cost (as defined in the Existing Contract) of those modular units. The NPS estimates that cost at $1,000,000. The Existing Concessioner had not purchased any of these units at the time of publication, therefore, there are no modular dormitory units listed on the Other Property list in the Appendix.

Working Capital, Inventory and Pre-Opening Costs

The Concessioner will incur other startup costs prior to commencing operations. The Service has estimated working capital at approximately $1.17 million in 2016 dollars to include merchandise inventory. Preopening costs include production of collateral materials, management staff recruitment, relocation, administrative support, and operating supplies, estimated at approximately $2,922,000 in 2016 dollars.

Estimate of Required Investment

The following exhibits detail the estimated investments at the commencement of the Draft Contract and during 2016.

Exhibit 16 – Estimated Initial Investments[1]

Item	Amount
Leasehold Surrender Interest	$59,397,765[2]
Concession Facilities Improvement Program (Year One)[3]	$468,000
Deferred Maintenance (Year One)	$1,350,000
Personal Property Initial Investment[4]	$15,762,000
Personal Property Associated with Concession Facility Improvement Programs (Year One)	$833,000
Working Capital	$1,170,000
Other Pre-Opening Expenses	$2,922,000
Total	**$81,902,765**

[1] *All dollar amounts represented in 2016$*
[2] *Dollar amounts reflect real property investment costs only and do not include personal property costs.*
[3] *The Total LSI Value is a Service estimate based on the beginning TC-GRCA001-15 LSI of $56,950,924, multiplied by the estimated CPI-U inflation rate for 2015 of 2.4%, minus depreciation of 1.0% (the contractually set depreciation forTC-GRCA001-15). The Service will calculate the actual beginning LSI for GRCA001-16 when the 2015 CPI-U data becomes available.*
[4] *This represents a Service estimated personal property value, including the required purchase of the modular dorms. Please refer to the above Personal Property section and the Prospectus Appendix for personal property listing.*

Source: NPS

The Concessioner must make the following investments after the first year of the Draft Contract.

Exhibit 17 – Estimated 2017 Investments[1]

Item	Amount
Concession Facilities Improvement Program (Year 2)	$1,747,000
Personal Property Associated with Concession Facility Improvement Programs (Year 2)	$115,000
Deferred Maintenance	$1,382,400
Concession Facilities Improvement Program (Before Year 5)	$11,756,000
Personal Property Associated with Concession Facility Improvement Programs (Before Year 5)	$1,754,000
Total	**$16,754,400**

[1] *All dollar amounts represented in 2017$*

Source: NPS

REPAIR AND MAINTENANCE RESERVE

The Draft Contract requires the Concessioner to establish a Repair and Maintenance Reserve to ensure funds are available to accomplish certain component renewal/replacement activities. Please see Section 10(c) of the Draft Contract for guidance on the terms and conditions of the Repair and Maintenance Reserve. The Service will require the Concessioner to fund the Repair and Maintenance Reserve for the Draft Contract with one and five-tenths percent (1.5%) of gross receipts as defined in Sec. 2 of the Draft Contract. As further explained in the Draft Contract, the Concessioner must expend sufficient additional monies to maintain the Concessioner Facilities to the satisfaction of the Director.

FRANCHISE FEE

The minimum franchise fee will differ based on the treatment of the depreciation component of LSI selected by the Offeror.

1) **Minimum Franchise Fee with Regular depreciation LSI Option** – Ten percent (10.0%) of annual gross receipts

OR

2) **Minimum Franchise Fee with Straight-line depreciation LSI Option** – Five and three-tenths percent (5.3%) of annual gross receipts

UTILITY ADD-ON

The Service has determined pursuant to NPS Director's Order 35B (DO 35B) that the Concessioner's rates for certain visitor services, for the first year of the Draft Contract as approved by the Service, may include a 4.3% of Gross Receipts "Utility Add-on." This Utility Add-on percentage represents the estimated difference between the cost the Concessioner will pay for Service-provided utilities in the Area and utility costs typical in the industry as determined by the Service. The Service expects to continue to authorize a Utility Add-on for subsequent years of the Draft Contract in accordance with DO 35B (as it may be amended or superseded from time to time). A website link to DO 35B appears in the Appendices.

The Service intends to install a the new waterline, The Service will assess the cost of that replacement against all users relying on a formula that will recover the cost of the replacement over the expected life of the waterline in accordacen with DO 35B. For example, if the replacement water line has an expected life of 50 years, users would start paying their share of the cost allocated over the 50-year life of the waterline. That cost, like the cost for the water itself, could entitle the Concessioner to an addtional utility add-on to help recoup the allocated cost of the replaced waterline.

TERM AND EFFECTIVE DATE

The Draft Contract has a term of fifteen (15) years beginning on its effective date, which the Service estimates to be on or about January 1, 2016. The effective date of the Draft Contract may change prior to contract award if determined necessary by the Service. The Service will change the expiration date of the Draft Contract to provide the same term length from any adjustment to the effective date.

SITE VISIT

A site visit will occur on the date listed on the inside front cover of this Prospectus. The site visit provides an opportunity for all interested parties to have an overview of the concession operation along with a tour of the Concession Facilities associated with the Draft Contract (excluding Phantom Ranch). The Service will provide participants with an overview of the operations at Phantom Ranch. Interested parties who wish to visit Phantom Ranch may do so on their own. For more information regarding the specific time and to reserve a place for the site visit, please contact:

Laura Shearin, Concession Specialist
Phone: 928-638-7351
Email: laura_shearin@nps.gov

Phantom Ranch Wrangler Cabin